

CITY OF SIBLEY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2014

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CITY OF SIBLEY, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Before January 2014		
Jerry L. Johnson	Mayor	January 1, 2014
Tim Nobles	Mayor Pro tem	January 1, 2016
Gail Buchholtz	Council Member	January 1, 2014
Mike Groote	Council Member	January 1, 2014
Jan Henningsen	Council Member	January 1, 2016
Larry Pedley	Council Member	January 1, 2014
Dan L. Janssen	Administrator	February 28, 2014
Kristen L. Vipond	City Clerk/Treasurer	October 24, 2014
Harold D. Dawson	Attorney	Indefinite
After January 2014		
Jerry L. Johnson	Mayor	January 1, 2016
Tim Nobles	Mayor Pro tem	January 1, 2016
Gail Buchholtz	Council Member	January 1, 2018
Mike Groote	Council Member	January 1, 2018
Jan Henningsen	Council Member	January 1, 2016
Larry Pedley	Council Member	January 1, 2018
Glenn Anderson	Administrator	Indefinite
Kristen L. Vipond	City Clerk/Treasurer	October 24, 2014
Harold D. Dawson	Attorney	Indefinite

EAST, VANDER WOUDE, GRANT & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Sibley, Iowa:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of City of Sibley, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Sibley, Iowa, as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sibley, Iowa's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The audits for the two years ended June 30, 2006 were not done by this office, but were in accordance with the standards referred to in the third paragraph of this report, and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 12 and 32 through 34 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

East, Vander Woude, Grant & Co., P.C.

East, Vander Woude, Grant & Co., P.C.

Certified Public Accountants

Sioux Falls, SD

October 24, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Sibley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 36.055%, or approximately \$1,612,000, from fiscal 2013 to fiscal 2014. Property tax increased \$183,355, charges for services increased \$68,249, local option sales tax increased \$39,847, bond proceeds decreased \$181,161, and grant proceeds decreased \$379,973 while general receipts decreased \$1,341,569, mostly due to reduction in inter-fund transfers.
- Disbursements of the City's governmental activities decreased 42.57%, or approximately \$1,820,040, from fiscal 2013 to fiscal 2014. Public safety disbursements increased \$63,346, public works decreased \$30,135, culture and recreation decreased \$3,323, health and social services remained the same, community and economic development increased \$2,340, debt service decreased \$62,192, and capital projects decreased \$1,630,987, while general government decreased \$159,089.
- The City's total cash basis net position increased 7.446%, or approximately \$284,000, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities increased approximately \$404,000 and the net position of the business type activities decreased by approximately \$121,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the electric, garbage, water, sewer, transit service, rail spur, and golf course. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Urban Renewal Tax Increment, and Capital Projects, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains sixteen Enterprise Funds to provide separate information for the electric, garbage, water, sewer, transit service, rail spur and golf course funds. Electric, water, and golf funds are considered to be major funds of the City. Internal Service Fund is an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

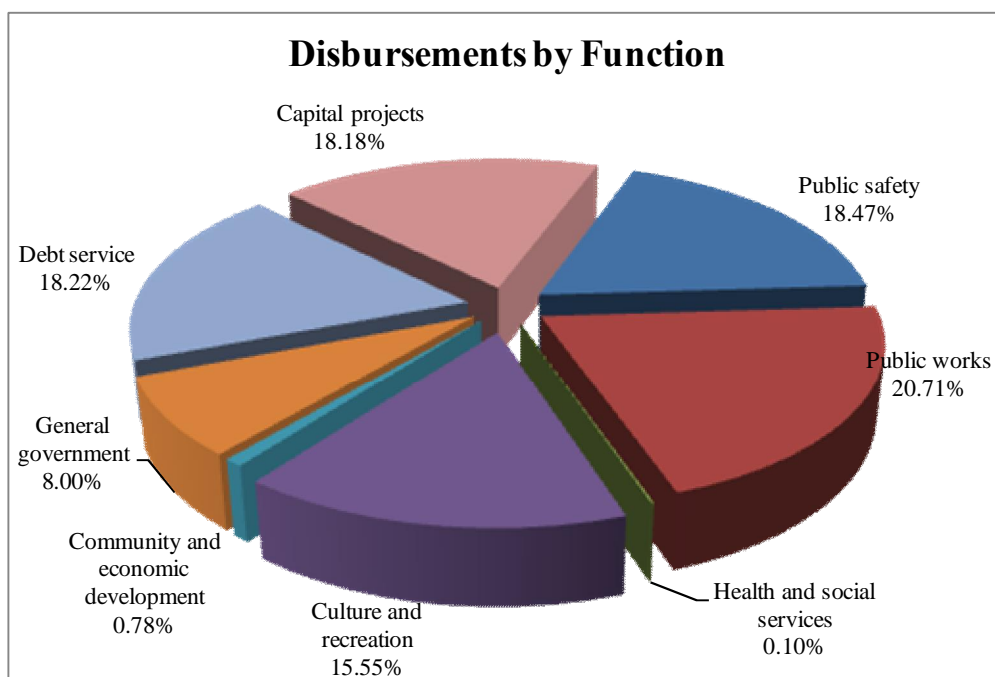
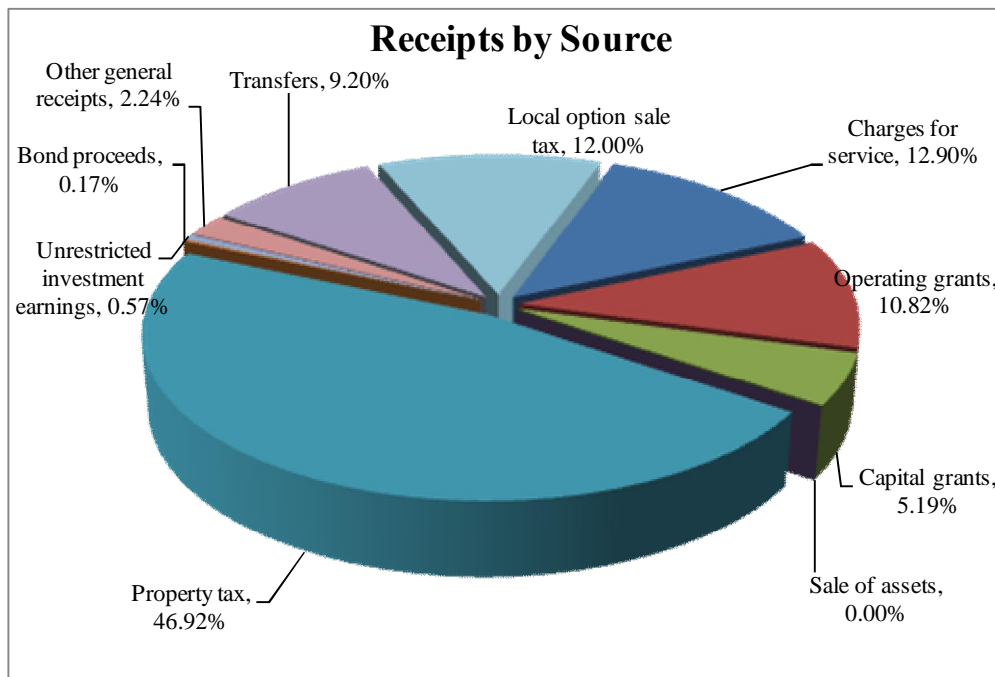
Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$387,908 to \$792,206. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)

	Year ended June 30,		
	2014	2013	\$ change
Receipts and transfer:			
Program receipts:			
Charges for service	\$ 369	\$ 301	\$ 68
Operating grants, contributions and restricted interest	309	312	(3)
Capital grants, contributions and restricted interest	148	526	(378)
General receipts:			
Property tax	1,342	1,158	184
Local option sales tax	343	303	40
Unrestricted investment earnings	16	44	(28)
Bond proceeds	5	186	(181)
Sale of assets	-	20	(20)
Other general receipts	64	85	(21)
Transfers, net	263	1,536	(1,273)
Total receipts and transfers	2,859	4,471	(1,612)
Disbursements:			
Public safety	454	390	64
Public works	508	538	(30)
Health and social services	2	2	-
Culture and recreation	382	385	(3)
Community and economic development	19	17	2
General government	197	356	(159)
Debt service	447	510	(63)
Capital projects	446	2,077	(1,631)
Total disbursements	2,455	4,275	(1,820)
Increase (decrease) in cash basis net assets	404	196	208
Cash basis net position beginning of year	388	192	196
Cash basis net position end of year	\$ 792	\$ 388	404



The City's total receipts for governmental activities decreased by 36.055%, from approximately \$4.471 million to \$2.859 million in 2014. The total cost of all programs and services decreased by approximately \$1.820 million or 42.573%, with no new programs added this year. The significant decrease in receipts was primarily the result inter-fund transfers compared to the prior year.

The City decreased property tax rates for 2014 by .019%. Due to increases in total assessed valuation, the City's property tax receipts increased by approximately \$183,000 in 2014.

The cost of all governmental activities this year was \$2,455,067 compared to \$4,275,107 last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 14-15,

the amount taxpayers ultimately financed for these activities was only \$1,628,734 because some of the cost was paid by those directly benefited from the programs was \$368,738 or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest was \$457,595. The City paid for the remaining "public benefit" portion of governmental activities with \$1,341,580 in property tax (some of which could only be used for certain programs), local option sales tax of \$343,243, interest of \$16,213, bond proceeds of \$5,000, and general entitlements of \$63,916.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	Year ended June 30,		
	2014	2013	\$ change
Receipts and transfer:			
Program receipts:			
Charges for service			
Electric	\$ 3,253	\$ 2,730	523
Water	597	579	18
Golf	191	190	1
Other nonmajor	837	565	272
General receipts:			
Unrestricted investment earnings	4	2	2
Grant proceeds	-	490	(490)
Bond proceeds	800	3,670	(2,870)
Total receipts	5,682	8,226	(2,544)
Disbursements:			
Electric	3,483	2,363	1,120
Water	999	1,311	(312)
Golf	227	207	20
Other nonmajor	831	2,143	(1,312)
Transfers	263	1,536	(1,273)
Total disbursements	5,803	7,560	(1,757)
Increase (decrease) in cash basis net position	(121)	666	(787)
Cash basis net position beginning of year	3,420	2,754	666
Cash basis net position end of year	\$ 3,299	\$ 3,420	(121)

Total business type activities receipts for the fiscal year were \$5,681,776 compared to \$8,225,515 from last year. This decrease was due primarily due to the reduction in bond proceeds over last year. The cash balances decreased by \$120,752 from the prior year due to Capital Projects financed in the current year that were started in the prior year. Total disbursements and transfers for the fiscal year decreased by \$1,757,772 from \$7,560,300 last year to a total of \$5,802,528 this year. These decreases are due primarily to the Capital Projects referenced above.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Sibley completed the year, its governmental funds reported a combined fund balance of \$792,206, an increase of \$404,298 from last year's total of \$387,908. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$251,761 from the prior year to \$(602,223). This increase was due primarily to local option sales tax revenue and the decision to transfer available funds from the enterprise funds to the General Fund. The City intends to continue close

monitoring of the disbursements to insure only necessary purchases are made while attempting to secure other sources of receipts.

- The Road Use Tax Fund cash balance decreased by \$14,825 to \$29,559 during the fiscal year. This decrease was attributable to street projects funded through reserve balances.
- The Special Revenue and Capital Projects Fund had less activity during the year since the major street renovation project was completed. The cash balance increased by \$11,163 to \$1,103,375 with the budgeted use of transfers in.
- The Debt Service Fund cash balance increased by \$39,094 to \$47,645 during the fiscal year. This increase was due to the decreased in the debt service disbursements from last year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Electric Fund cash balance increased by \$559,430 to \$2,697,713 due primarily to increased revenue from operating our diesel generators to supply power to the grid and the combining of all of the Electric related funds.
- The Water Fund (which includes the Lewis and Clark Project) cash balance decreased by \$654,486 to \$608,037 due primarily to the construction projects being completed in the current year.
- The Golf Course Fund cash balance decreased by \$47,836 to \$(407,855), due primarily to Course and Club House expenditures being higher than expected.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 27, 2014 and resulted in an increase in disbursements for public safety, public works, capital projects, and business type activities. The City's receipts were \$251,263 more than the amended budget. This was primarily due to greater charges for services that were not included in the amendment.

The actual disbursements for the public safety; public works; culture and recreation; community and economic development; general government; debt service; capital projects and business type activities were \$5,289; \$89,622; \$37,654; \$22,039; \$43,310; \$66,567; \$35,711 and \$537,488, respectively, less than the amended budget primarily due to capital projects budgeted for and completed in the current year.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$6,388,656 in bonds and other long-term debt, compared to \$6,038,233 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2014	2013
Capital Loan Notes	\$ 800,000	\$ 1,025,000
TIF Capital Loan Notes	2,830,000	2,945,000
Revenue notes	2,645,000	1,928,000
Capital Leases	113,656	140,233
Total	\$ 6,388,656	\$ 6,038,233

The change in debt is a result of issuing the remainder of the G.O Bonds totaling \$5,000 and a Electric Revenue Bond in the amount of \$800,000 less debt payments of \$454,577. The City has not currently been assigned a rating by national rating agencies on the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$3,630,000 is safely below its constitutional debt limit of \$4,814,389. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City of Sibley's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's employment growth had been flat to declining in recent years. The City experienced significant layoffs due to plant closures and cutbacks during 2008-10. Recent economic activities have begun to create new jobs. Unemployment in the City now stands at 3.6 percent, versus 4.2 percent a year ago. This compares with the State's unemployment rate of 5.5 percent and the national rate of 8.0 percent.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are \$7.1 million, a increase of 11% from the final 2014 budget. Budgeted disbursements are expected to remain the same in 2015. The City has added no major new programs or initiatives to the 2015 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$527,361 by the close of 2015 mostly due to planned use of construction projects funds and enterprise reserves.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kristen Vipond, City Clerk, 808 Third Ave., Sibley, Iowa, 51249.

City of Sibley, Iowa
Basic Financial Statements

City of Sibley, Iowa
Statement of Activities and Net Position - Cash Basis
As of and for the year ended June 30, 2014

Functions/Programs	Disbursements	Charges for Service	Program Revenues	
			Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 453,352	\$ -	\$ -	\$ -
Public works	508,344	-	287,887	-
Health and social services	2,350	-	-	-
Culture and recreation	381,667	186,046	-	-
Community and economic development	19,177	-	18,865	142,745
General government	196,467	26,166	1,950	-
Debt service	447,371	-	-	-
Capital projects	446,339	156,526	616	5,532
Total governmental activities	2,455,067	368,738	309,318	148,277
Business type activities:				
Electric	3,482,528	3,252,502	-	-
Water / Lewis & Clark	998,662	596,520	-	-
Golf	226,966	191,289	-	-
Other nonmajor	831,292	836,973	-	-
Total business type activities	5,539,448	4,877,284	-	-
Total	7,994,515	5,246,022	309,318	148,277
General Receipts:				
Property tax levied for:				
General purposes				
Tax incremental financing				
Local option sales tax				
Unrestricted interest on investment				
Bond proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Special revenue funds				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Exhibit A

**Net (Disbursements) Receipts
and Changes in Cash Basis Net Position**

Governmental Activities	Business Type Activities	Total
\$ (453,352)	\$ -	\$ (453,352)
(220,457)	-	(220,457)
(2,350)	-	(2,350)
(195,621)	-	(195,621)
142,433	-	142,433
(168,351)	-	(168,351)
(447,371)	-	(447,371)
(283,665)	-	(283,665)
(1,628,734)	-	(1,628,734)
-	(230,026)	(230,026)
-	(402,142)	(402,142)
-	(35,677)	(35,677)
-	5,681	5,681
-	(662,164)	(662,164)
(1,628,734)	(662,164)	(2,290,898)
1,045,247	-	1,045,247
296,333	-	296,333
343,243	-	343,243
16,213	4,492	20,705
5,000	800,000	805,000
63,916	-	63,916
263,080	(263,080)	-
2,033,032	541,412	2,574,444
404,298	(120,752)	283,546
387,908	3,419,652	3,807,560
\$ 792,206	\$ 3,298,900	\$ 4,091,106
1,132,934	-	1,132,934
16,507	-	16,507
47,645	-	47,645
197,343	521,491	718,834
(602,223)	2,777,409	2,175,186
\$ 792,206	\$ 3,298,900	\$ 4,091,106

City of Sibley, Iowa
Statement of Cash Receipts, Disbursements and Changes in
Cash Balances - Governmental Funds
As of and for the year ended June 30, 2014

	General	Road Use Tax	Special Revenue and Capital Projects
Receipts:			
Property tax	\$ 593,247	\$ -	\$ -
Tax increment financing collections	-	-	-
Local Option Sales Taxes	343,243	-	-
Other city tax	8,226	-	-
Licenses and permits	26,167	-	-
Use of money and property	16,213	-	616
Intergovernmental	25,092	279,391	-
Charges for service	160,954	-	156,526
Special assessments	-	-	8,497
Miscellaneous	10,080	-	-
Total Receipts	<u>1,183,222</u>	<u>279,391</u>	<u>165,639</u>
Disbursements:			
Operating:			
Public safety	441,552	-	3,639
Public works	140,981	294,216	4,686
Health and social services	2,350	-	-
Culture and recreation	325,694	-	-
Community and economic development	17,836	-	-
General government	153,592	-	-
Debt service	-	-	-
Capital projects	-	-	446,339
Total Disbursements	<u>1,082,005</u>	<u>294,216</u>	<u>454,664</u>
Excess of receipts over disbursements	<u>101,217</u>	<u>(14,825)</u>	<u>(289,025)</u>
Other financing sources (uses):			
Grant proceeds	122,782	-	5,532
Bond proceeds	-	-	-
Operating transfers in	97,944	-	294,656
Operating transfers out	(70,182)	-	-
Total other financing sources (uses)	<u>150,544</u>	<u>-</u>	<u>300,188</u>
Net change in cash balances	251,761	(14,825)	11,163
Cash balances beginning of year	(853,984)	44,384	1,092,212
Cash balances end of year	<u>\$ (602,223)</u>	<u>\$ 29,559</u>	<u>\$ 1,103,375</u>
Cash Basis Fund Balances			
Restricted for:			
Streets	-	29,559	1,103,375
Urban renewal purposes	-	-	-
Debt service	-	-	-
Special revenue funds	-	-	-
Unassigned:	(602,223)	-	-
Total cash basis fund balances	<u>\$ (602,223)</u>	<u>\$ 29,559</u>	<u>\$ 1,103,375</u>

See notes to financial statements.

Exhibit B

Debt Service	Other Nonmajor Governmental Funds	Total
\$ 210,405	\$ 241,595	\$ 1,045,247
-	296,332	296,332
-	-	343,243
-	-	8,226
-	-	26,167
-	12,589	29,418
19,962	-	324,445
-	-	317,480
-	-	8,497
-	53,836	63,916
230,367	604,352	2,462,971
-	8,161	453,352
-	68,461	508,344
-	-	2,350
-	55,973	381,667
-	1,341	19,177
-	42,875	196,467
447,371	-	447,371
-	-	446,339
447,371	176,811	2,455,067
(217,004)	427,541	7,904
-	-	128,314
5,000	-	5,000
251,098	-	643,698
-	(310,436)	(380,618)
256,098	(310,436)	396,394
39,094	117,105	404,298
8,551	96,745	387,908
\$ 47,645	\$ 213,850	\$ 792,206
-	-	1,132,934
-	16,507	16,507
47,645	-	47,645
-	197,343	197,343
-	-	(602,223)
\$ 47,645	\$ 213,850	\$ 792,206

City of Sibley, Iowa
Statement of Cash Receipts, Disbursements and Changes in
Cash Balances - Proprietary Funds
As of and for the year ended June 30, 2014

	Enterprise Funds		
	Electric	Water	Golf
Operating receipts:			
Use of money and property	\$ 3,997	\$ 295	\$ -
Charge for service	3,252,502	596,520	191,289
Miscellaneous	-	-	-
Total operating receipts	<u>3,256,499</u>	<u>596,815</u>	<u>191,289</u>
Operating disbursements:			
Business type activities	<u>3,482,528</u>	<u>865,792</u>	<u>226,966</u>
Total operating disbursements	<u>3,482,528</u>	<u>865,792</u>	<u>226,966</u>
Excess (deficiency) of operating receipts over (under)	<u>(226,029)</u>	<u>(268,977)</u>	<u>(35,677)</u>
Non-operating receipts (disbursements):			
General obligation bond proceeds	800,000	-	-
Debt service	-	(132,870)	-
Total non-operating receipts (disbursements)	<u>800,000</u>	<u>(132,870)</u>	<u>-</u>
Excess of receipts over (under) disbursement	<u>573,971</u>	<u>(401,847)</u>	<u>(35,677)</u>
Operating transfers in	241,130	86,612	-
Operating transfers out	<u>(255,671)</u>	<u>(339,251)</u>	<u>(12,159)</u>
Net change in cash balances	<u>559,430</u>	<u>(654,486)</u>	<u>(47,836)</u>
Cash balances beginning of year	<u>2,138,283</u>	<u>1,262,523</u>	<u>(360,019)</u>
Cash balances end of year	<u>\$ 2,697,713</u>	<u>\$ 608,037</u>	<u>\$ (407,855)</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ 420,284	\$ 101,207	\$ -
Unreserved	<u>2,277,429</u>	<u>506,830</u>	<u>(407,855)</u>
Total cash basis fund balances	<u>\$ 2,697,713</u>	<u>\$ 608,037</u>	<u>\$ (407,855)</u>

See notes to financial statements.

Exhibit C

Enterprise Funds		Internal Service
Other Nonmajor Enterprises	Total	Employee Health
\$ 120	\$ 4,412	\$ 80
836,719	4,877,030	254
-	-	-
836,839	4,881,442	334
753,369	5,328,655	46,740
753,369	5,328,655	46,740
83,470	(447,213)	(46,406)
-	800,000	-
(31,183)	(164,053)	-
(31,183)	635,947	-
52,287	188,734	(46,406)
43,253	370,995	55,750
(82,744)	(689,825)	-
12,796	(130,096)	9,344
245,722	3,286,509	133,143
\$ 258,518	\$ 3,156,413	\$ 142,487
\$ -	\$ 521,491	\$ -
258,518	2,634,922	142,487
\$ 258,518	\$ 3,156,413	\$ 142,487

City of Sibley, Iowa
Reconciliation of the Statement of Cash Receipts, Disbursements and
Changes in Cash Balances to the Statement of Activities and
Net Position - Proprietary Funds
As of and for the year ended June 30, 2014

Exhibit D

Total enterprise funds cash balances (page 19)	\$	3,156,413
---	----	-----------

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Net Position.

142,487

Cash basis net position of business-type activities (page 15)	\$	3,298,900
--	----	-----------

Change in cash balances (page 19)	\$	(130,096)
--	----	-----------

Amounts reported for business type activities in the Cash Basis Statements of Actovotes and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. Te change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

9,344

Change in cash basis net position of business type activities (page 15)	\$	(120,752)
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See notes to financial statements.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Sibley is a political subdivision of the State of Iowa located in Osceola County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides electric, garbage, water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sibley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Osceola County Economic Development Commission, Osceola County Emergency Management Commission, Osceola County Landfill Commission and Osceola County Public Safety Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balance are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2014

The Cash Basis Statement of Activities and Net Position demonstrate the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements ó Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts form general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Electric Utility Fund accounts for the operation and maintenance of the City's electricity and generator substation system.

The Water Utility Fund accounts for the operation and maintenance of the City's water system and includes the Lewis and Clark Rural Water System project.

The Golf Course Fund accounts for the operation and maintenance of the City's golf course and clubhouse.

The City also reports the following additional proprietary funds:

An Internal Service Fund is utilized to account for the processing of employee health insurance reimbursement under a deductible reimbursement plan of the City.

C. Measurement Focus and Basis of Accounting

The City of Sibley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2014

program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications of committed, assigned and then unassigned balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable of Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted of Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned of Amounts the Council intends to use for specific purposes.

Unassigned of All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted in the general government and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City did not have any deposits that qualified as investments at June 30, 2014.

Interest rate risk of The City's investment policy limits the investment of operating funds (funds expected to be disbursed in the current budget or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2014

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for revenue bonds and capital loan notes are as follows:

Year Ending	Revenue Bonds		Capital Loan Notes		TIF Capital Loan Notes		Totals	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 238,000	\$ 75,456	\$ 210,000	\$ 29,995	\$ 120,000	\$ 63,100	\$ 568,000	\$ 168,551
2016	249,000	70,195	210,000	23,530	130,000	61,430	589,000	155,155
2017	249,000	66,145	155,000	16,655	141,000	59,380	545,000	142,180
2018	255,000	61,538	110,000	10,015	141,000	57,633	506,000	129,185
2019	260,000	56,273	115,000	5,175	142,000	55,705	517,000	117,153
2020 - 2024	541,000	212,613	-	-	751,000	238,758	1,292,000	451,370
2025 - 2029	498,000	107,040	-	-	842,000	149,873	1,340,000	256,913
2030 - 2034	355,000	29,411	-	-	563,000	33,245	918,000	62,656
Totals	\$ 2,645,000	\$ 678,669	\$ 800,000	\$ 85,370	\$ 2,830,000	\$ 719,123	\$ 6,275,000	\$ 1,483,162

Urban Renewal Tax Increment Financing Capital Loan Notes

The City issued \$2,950,000 of urban renewal tax increment financing (TIF) Capital Loan Notes during the fiscal year for the purpose of defraying a portion of the costs of various construction projects within the urban renewal district. The Notes are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Code 403.19 of the Code of Iowa. TIF receipts are generally projected to be 100% of the debt service requirements over the life of the Notes. The proceeds of the urban renewal TIF capital loan notes shall be expended only for the purposes which are consistent with the plans of the City's urban renewal area. The Notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limits of the City. Total principal and interest remaining on the Notes is \$3,549,123, payable through June 2032. For the current year, interest paid and total TIF receipts were \$62,936 and \$296,333, respectively.

Refinanced Capital Loan Note

On July 12, 2012 the City refinanced its 2005 Capital Loan Note due in 2016. Total principal and interest remaining on the Notes is \$126,720, payable through June 2016. For the current year, principal and interest paid were \$65,000 and \$1,542.50, respectively.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$274,000 in sewer revenue notes issued February 2007. Proceeds from the notes provided financing to construct certain wastewater treatment facilities serving the City. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$202,070. For the current year, principal and interest paid and total net receipts were \$18,490 and \$60,450, respectively.

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions.

- (a) Sewer use charges must be established to a level which produces and maintains net revenues at a level not less than 110% of principal and interest falling due in the same year. The required amount was \$20,207 which was met.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,010,000 in water revenue notes issued May 30, 2007 as well as \$940,000 in water revenue notes issued February 12, 2013. Proceeds from the notes provided financing to pay a portion of the costs of improvements and extensions to the Municipal Water Utility. The notes are payable solely from water

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2014

customer net receipts and are payable through 2027 and 2033 respectively. The total principal and interest remaining to be paid on the notes is \$2,289,640. For the current year, principal and interest paid and total net receipts were \$132,370 and \$163,058, respectively.

The resolutions providing for the issuance of the water revenue bonds include the following provisions:

- (a) Reserve fund requires deposits equal to 10% of the amount required to maintain a debt service fund.
- (b) Audit report issued by 180 days after fiscal year end.
- (c) Net revenues of the system for the preceding fiscal year need to be 1.10 times the average annual amount that will be required for both principal and interest. The required amount was \$143,182 which was met.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$89,124, \$82,068 and \$74,341, respectively, equal to the required contributions for each year.

Upon retirement the City agrees that employees may choose to stay on the City's Health Insurance Plan until age 65 as long as the employee pays the full premium amount from the date of retirement to age 65. If the employee meets the requirements of IPERS rules for retirement, the employee may use 55% of accrued sick leave hours and convert to dollars at the current rate of pay to be used for health insurance premiums. This retirement health insurance plan only entitles the employee to the policy as offered by the health insurance provider. The employee may choose this option or receive 20% cash payout for unused sick leave.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2014, primarily relating to the General Fund and Electric funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 51,452
Sick leave	161,899
Totals	<u>\$ 213,351</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

(6) Anticipatory Warrants

Anticipatory warrants are warrants which are legally drawn on City funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2014

the time the warrants are first presented for redemption. There were no unpaid anticipatory warrants at the end of the year.

(7) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2014 were \$88,951.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2014

100 percent of its capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to:	Transfer from:	Amount
General Fund	Employee Benefits Fund	\$ 14,200
General Fund	Emergency Fund	8,744
General Fund	Electric Utility Fund	75,000
Debt Service Fund	TIF Fund	251,098
Water Utility Fund	Water Storage & Distr Fund	20,500
Water Improvement Fund	Water Utility Fund	10,000
2013 Water Sinking Fund	Water Utility Fund	56,112
Sewer Relocation Fund	Sewer Utility Fund	20,844
Electric Utility Fund	Water Storage & Distr Fund	77,000
Electric Improvement Fund	Electric Revenue Fund	71,971
Electric Improvement Fund	Golf Fund - Course	12,159
Electric Bond Reserve Fund	Electric Revenue Fund	80,000
Garbage Utility Fund	Emergency Fund	5,143
Transit Fund	General Fund	17,265
Health Insurance Fund	Employee Benefits Fund	31,250
Health Insurance Fund	Water Utility Fund	3,500
Health Insurance Fund	Sewer Utility Fund	3,500
Health Insurance Fund	Electric Utility fund	17,500
Street Improvements Fund	Water Storage & Distr Fund	100,000
Capital Reserve Fund	Electric Utility Fund	\$ 11,200
	Sewer Utility Fund	42,200
	Garbage Utility Fund	16,200
	Water Utility Fund	2,639
	Water Storage & Distr Fund	69,500
	General Fund	
	Fire	18,000
	Street Department	15,000
	Airport	5,000
	Park	4,417
	Pool	5,000
	Senior Center	4,500
	Legion	1,000
		194,656
	Total	\$ 1,070,443

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2014

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$39,329 during the year ended June 30, 2014. In addition there is an Economic Development Loan with a City Official which was obtained prior to that City Official becoming a Council Member. The loan totaled \$60,000 of which \$40,000 is a forgivable loan through Tax Increment Financing with the loan balance at June 30, 2014 of \$53,634.78.

(10) Health Care Facility Revenue Bonds

The City has issued a total of \$5,800,000 of health care facility revenue bonds under the provisions of Chapter 419 of the Code of Iowa; this was approved November 12, 2007. The bonds and related interest are payable solely from the revenue generated by the Osceola Community Hospital, and the bond principal and interest do not constitute liabilities of the City.

(11) Senior Housing Revenue Bonds

The City has issued a total of \$1,296,500 of senior housing revenue bonds under the provisions of Chapter 419 of the Code of Iowa; this was approved January 14, 2008. The bonds and related interest are payable solely from the revenue generated by the Heartwood Heights Project, and the bond principal and interest do not constitute liabilities of the City.

(12) Deficit Fund Balance

The General Fund had a deficit balance of \$602,223 at June 30, 2014. The City is working towards eliminating this deficit over the next several years using the local option sales tax revenue that went into effect July 1, 2008 as well as transfers from the Utility Funds.

The Enterprise Funds - Golf Course Fund had a deficit balance of \$407,855 at June 30, 2014. This is the ninth year that the golf course fund is operating as an enterprise fund. The City's goal is to make the golf course self-sufficient in the future years.

(13) Contingency

The City has a self-insurance program in place for the medical insurance that it provides to its employees. Under the program, the employee pays a deductible of \$250 for family coverage and \$250 for single coverage. The insurance policies that the City maintains provide for a \$5,000 deductible for family coverage and \$2,500 single coverage for each calendar year. The City is therefore, liable for the difference in these deductible amounts for each employee. As of June 30, 2014, the unrecognized amount of this total difference amounts to a potential liability to the City of \$53,100.

(14) Capital Lease

The City acquired a sanitation truck under a long-term lease. The City entered into the capital lease on May 29, 2009 with an initial payment of \$40,000. Future minimum lease payments under this capital lease at June 30, 2014 are as follows:

	Interest		Principal		Total Payment
2015	\$ 3,058	\$	27,293	\$	30,351
2016	2,324		28,027		30,351
2017	1,570		28,781		30,351
2018	796		29,555		30,351
	<u>\$ 7,748</u>	\$	<u>113,656</u>	\$	<u>121,404</u>

(15) Construction Commitments

On June 23, 2014, the City awarded a contract for the 2014 Railroad Spur Improvements to Trackworks,

City of Sibley, Iowa
Notes to Financial Statements
June 30, 2014

LLC in the amount of \$1,379,184.40 with a deduction of \$17,000 for tie disposal. The project includes reconstruction and construction of railroad spur to the industrial park. The construction started July 2014 and is ongoing. As of June 30, 2014 no pay request had been received.

(16) Jointly Governed Organizations

The City is a member of the Lewis and Clark Regional Water System, Inc. (the "System"). The System's twenty members include fifteen municipalities and five rural water systems within South Dakota, Iowa, and Minnesota that provide drinking water to consumers. The System will collect, treat and distribute drinking water to its members when the water treatment plant and pipelines are completed to members. The System's board of directors is comprised of twenty directors, one from each member. No member of the System has an equity interest.

The City has entered into a commitment for (1) the City's portion of the base system costs and (2) the City's costs associated with additional capacity modifications for the Lewis and Clark Regional Water System.

(17) Revolving Loan Fund – Economic Development

The City of Sibley maintains a Revolving Loan Fund wherein money is loaned to local businesses to assist with start-ups and expansions. The Fund was created through funding from the City as well as grants from USDA Rural Development. As of June 30, 2014, the Fund was \$119,589.88 with 8 outstanding economic development loans with original balances of \$354,523.00 having current balances totaling \$215,445.88 with interest rate at 4 ½%. Loan payment receipts for the current year were \$73,561.56. Loans are approved based on number of projected jobs to be created by the activity and overall ability to service the debt. Loans usually are limited to 40% of the proposed project with the balance of the funds needing to come from the Owner's Equity and Conventional Financing. A total of 41 new FT and 11 PT jobs were projected to be created by the businesses who received the loans as well as numerous jobs retained by the businesses through assistance from the Revolving Loan Fund Program. Receipts into the fund for principal and interest are currently \$69,747.52.

The Fund also has a 5 year internal loan from the Electric Improvement Fund with a balance of \$63,647.52 at June 30, 2014. Debt service on the internal loan is \$21,215.84 annually.

(18) Interfund Loans

The Electric Improvement Fund loaned money to the Golf Fund to purchase a new mower in July 2010. The total amount of the loan was originally \$33,551 with an interest rate of 2%. In August 2011 a new mower was purchased and an additional \$31,900 was borrowed from the Electric Improvement Fund with an interest rate of 2%. In April 2014 a third new mower was purchased for \$23,376 and added to the amount remaining on the prior loans (\$23,607.35). The total amount of the loans was \$46,983.35 with an interest rate of 2% and annual payments of \$9,967.91 through FY 2019. The remaining balance of the loan on June 30, 2014 was \$46,983.35 principal and \$2,856.21 interest.

The Electric Improvement Fund loaned money to the Garbage Fund to purchase new garbage containers in May 2013. The total amount of the loan was originally \$57,669 with an interest rate of 2% and annual payments of \$12,234.96 through FY 2018. The remaining balance of the loan on June 30, 2014 was \$46,587.42 principal and \$2,352.42 of interest. The interest paid in the current year was \$1,153.38.

(19) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions and amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

City of Sibley, Iowa

Other Information

City of Sibley, Iowa
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Other Information
Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 1,045,247	\$ -
Tax increment financing collections	296,332	-
Other city tax	351,469	-
Licenses and permits	26,167	-
Use of money and property	29,418	4,492
Intergovernmental	324,445	-
Charges for service	317,480	4,877,284
Special assessments	8,497	-
Miscellaneous	63,916	-
Total receipts	<u>2,462,971</u>	<u>4,881,776</u>
Disbursements:		
Public safety	453,352	-
Public works	508,344	-
Health and social services	2,350	-
Culture and recreation	381,667	-
Community and economic development	19,177	-
General government	196,467	-
Debt service	447,371	-
Capital projects	446,339	-
Business type activities	-	5,539,448
Total disbursements	<u>2,455,067</u>	<u>5,539,448</u>
Excess of receipts over disbursements	7,904	(657,672)
Other financing sources, net	<u>396,394</u>	<u>536,920</u>
Excess of receipts and other financing sources over disbursements and other financing uses	404,298	(120,752)
Balances beginning of year	<u>387,908</u>	<u>3,419,652</u>
Balances end of year	<u><u>\$ 792,206</u></u>	<u><u>\$ 3,298,900</u></u>

See accompanying independent auditor's report.

Less Funds not Required to be Budgeted		Total Actual	Budgeted Amounts		Final to Actual Variance
			Original	Final	
\$	-	\$ 1,045,247	\$ 1,033,871	\$ 1,033,871	\$ 11,376
	-	296,332	302,485	302,485	(6,153)
	-	351,469	272,552	347,552	3,917
	-	26,167	26,525	26,525	(358)
	-	33,910	31,650	31,650	2,260
	-	324,445	308,793	694,293	(369,848)
	-	5,194,764	3,930,130	3,987,630	1,207,134
	-	8,497	8,000	8,000	497
	-	63,916	538,378	661,478	(597,562)
	-	7,344,747	6,452,384	7,093,484	251,263
	-	453,352	368,341	458,641	(5,289)
	-	508,344	571,466	597,966	(89,622)
	-	2,350	2,350	2,350	-
	-	381,667	419,321	419,321	(37,654)
	-	19,177	41,216	41,216	(22,039)
	-	196,467	239,777	239,777	(43,310)
	-	447,371	513,938	513,938	(66,567)
	-	446,339	362,050	482,050	(35,711)
	(46,740)	5,586,188	4,071,006	5,983,456	(397,268)
	(46,740)	8,041,255	6,589,465	8,738,715	(697,460)
	46,740	(696,508)	(137,081)	(1,645,231)	948,723
	-	933,314	-	785,300	148,014
	46,740	236,806	(137,081)	(859,931)	1,096,737
	-	3,807,560	1,958,110	3,807,560	-
\$	46,740	\$ 4,044,366	\$ 1,821,029	\$ 2,947,629	\$ 1,096,737

City of Sibley, Iowa
Notes to Other Information – Budgetary Reporting
June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregate function level, not the fund. During the year, one budget amendment was approved increasing the disbursements by \$1,852,400. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted in any of the functions.

Supplementary Information

City of Sibley, Iowa
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances - Nonmajor Governmental Funds
As of and for the year ended June 30, 2014

	Special Revenue Employee Benefit	Urban Renewal Tax Increment
Receipts:		
Property tax	\$ 227,707	\$ -
Tax increment financing collections	-	296,332
Use of money and property	1,950	-
Miscellaneous	-	-
Total Receipts	<u>229,657</u>	<u>296,332</u>
Disbursements:		
Operating:		
Public safety	8,161	-
Public works	68,461	-
Culture and recreation	55,973	-
Community and economic development	-	1,341
General government	21,315	-
Total Disbursements	<u>153,910</u>	<u>1,341</u>
Excess of receipts over (under) disbursements	<u>75,747</u>	<u>294,991</u>
Other financing sources (uses):		
Operating transfers out	(45,450)	(251,098)
Total other financing sources (uses)	<u>(45,450)</u>	<u>(251,098)</u>
Change in cash balances	30,297	43,893
Cash balances beginning of year	47,456	(27,386)
Cash balances end of year	<u>\$ 77,753</u>	<u>\$ 16,507</u>
Cash Basis Fund Balances		
Restricted for:		
Urban renewal purposes	\$ -	\$ 16,507
Special revenue funds	77,753	-
Total cash basis fund balances	<u>\$ 77,753</u>	<u>\$ 16,507</u>

Schedule 1

Revolving Loan Fund	Emergency Fund	Other Nonmajor Governmental Funds Totals
\$ -	\$ 13,888	\$ 241,595
-	-	296,332
10,639	-	12,589
53,836	-	53,836
64,475	13,888	604,352
-	-	8,161
-	-	68,461
-	-	55,973
-	-	1,341
21,560	-	42,875
21,560	-	176,811
42,915	13,888	427,541
-	(13,888)	(310,436)
-	(13,888)	(310,436)
42,915	-	117,105
76,675	-	96,745
\$ 119,590	\$ -	\$ 213,850
\$ -	\$ -	\$ 16,507
119,590	-	197,343
\$ 119,590	\$ -	\$ 213,850

See accompanying independent auditor's report.

City of Sibley, Iowa
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rate	Amount Originally Issued	Balance Beginning of Year
Capital Loan Notes:				
General Oblig Capital Loan Notes 2006	10/15/2006	4.0 to 4.25%	430,000	\$ 190,000
General Oblig Capital Loan Notes 2008B	12/15/2008	3.85% to 4.5%	1,140,000	645,000
General Oblig Capital Loan Notes 2012	7/12/2012	.65% to 3.15%	190,000	190,000
Totals				<u>\$ 1,025,000</u>
TIF Capital Loan Notes				
General Oblig Capital Loan Notes 2012	7/12/2012	.65% to 3.15%	2,500,000	\$ 2,500,000
General Oblig Capital Loan Notes 2012B	10/19/2012	1.75%	450,000	445,000
Totals				<u>\$ 2,945,000</u>
Revenue bonds:				
2006 Sewer Revenue	2/1/2006	3%	294,000	\$ 183,000
2007 Water Revenue	5/30/2007	4.5 to 5.75%	1,010,000	805,000
2013 Water Revenue	2/12/2013	1.35% to 3.25%	940,000	940,000
2014 Electric Revenue	3/25/2014	.6% to 1.65%	800,000	-
Totals				<u>\$ 1,928,000</u>
Capital Leases:				
2013 Sanitation Truck	6/26/2013	2.69%	140,233	\$ 140,233
Totals				<u>\$ 140,233</u>

See accompanying independent auditor's report.

Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ -	\$ 45,000	\$ 145,000	\$ 7,868	\$ 472
-	115,000	530,000	27,430	1,726
-	65,000	125,000	1,543	79
<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 800,000</u>	<u>\$ 36,840</u>	<u>\$ 2,278</u>
\$ -	\$ 100,000	\$ 2,400,000	\$ 55,105	\$ 1,525
5,000	20,000	430,000	7,831	598
<u>\$ 5,000</u>	<u>\$ 120,000</u>	<u>\$ 2,830,000</u>	<u>\$ 62,936</u>	<u>\$ 2,123</u>
\$ -	\$ 13,000	\$ 170,000	\$ 5,490	\$ 405
-	40,000	765,000	36,765	2,735
-	30,000	910,000	25,605	976
800,000	-	800,000	-	381
<u>\$ 800,000</u>	<u>\$ 83,000</u>	<u>\$ 2,645,000</u>	<u>\$ 67,860</u>	<u>\$ 4,498</u>
\$ -	\$ 26,577	\$ 113,656	\$ 3,773	\$ 243
<u>\$ -</u>	<u>\$ 26,577</u>	<u>\$ 113,656</u>	<u>\$ 3,773</u>	<u>\$ 243</u>

**City of Sibley, Iowa
Bond and Note Maturities
June 30, 2014**

Schedule 3

REVENUE BONDS

Year Ending June 30	Sewer Project Issued February 1, 2006		Water - Lewis & Clark Issued May 30, 2007		Water - Refunding OCRWS Issued February 12, 2013		Electric Projects Issued March 25, 2014	
	Interest		Interest		Interest		Interest	
	Rates	Amounts	Rates	Amounts	Rates	Amounts	Rates	Amounts
2015	3.00%	\$ 13,000	4.50%	\$ 45,000	1.35%	\$ 25,000	0.60%	\$ 155,000
2016	3.00%	14,000	4.50%	45,000	1.35%	30,000	0.75%	160,000
2017	3.00%	14,000	4.50%	50,000	1.35%	25,000	1.00%	160,000
2018	3.00%	15,000	4.50%	50,000	2.30%	30,000	1.35%	160,000
2019	3.00%	15,000	4.50%	55,000	2.30%	25,000	1.65%	165,000
2020	3.00%	15,000	4.50%	55,000	2.30%	30,000		
2021	3.00%	16,000	4.50%	55,000	2.30%	35,000		
2022	3.00%	16,000	4.50%	60,000	2.30%	30,000		
2023	3.00%	17,000	4.55%	65,000	2.85%	30,000		
2024	3.00%	17,000	4.60%	65,000	2.85%	35,000		
2025	3.00%	18,000	4.65%	70,000	2.85%	35,000		
2026		-	4.70%	75,000	2.85%	30,000		
2027		-	4.75%	75,000	2.85%	35,000		
2028		-		-	3.25%	80,000		
2029		-		-	3.25%	80,000		
2030		-		-	3.25%	85,000		
2031		-		-	3.25%	85,000		
2032		-		-	3.25%	90,000		
2033		-		-	3.25%	95,000		
TOTAL		<u>\$ 170,000</u>		<u>\$ 765,000</u>		<u>\$ 910,000</u>		<u>\$ 800,000</u>

CAPITAL LOAN NOTES

Year Ending June 30	Fire Truck & Airport Hanger Issued October 15, 2006		Equipment & Improvements Issued December 15, 2008		Water Distr System Project Issued July 12, 2012	
	Interest		Interest		Interest	
	Rates	Amounts	Rates	Amounts	Rates	Amounts
2015	4.10%	\$ 45,000	4.10%	\$ 100,000	0.80%	\$ 65,000
2016	4.15%	50,000	4.20%	100,000	1.00%	60,000
2017	4.25%	50,000	4.30%	105,000		
2018		-	4.40%	110,000		-
2019		-	4.50%	115,000		-
TOTAL		<u>\$ 145,000</u>		<u>\$ 530,000</u>		<u>\$ 125,000</u>

TIF CAPITAL LOAN NOTES				
Year Ending June 30	Water Distr System Project		SRF Water System Project	
	Issued July 12, 2012		Issued October 19, 2012	
	Interest Rates	Amounts	Interest Rates	Amounts
2015	0.80%	\$ 100,000	2.00%	\$ 20,000
2016	1.00%	110,000	2.00%	20,000
2017	1.15%	120,000	2.00%	21,000
2018	1.30%	120,000	2.00%	21,000
2019	1.55%	120,000	2.00%	22,000
2020	1.80%	120,000	2.00%	22,000
2021	2.00%	125,000	2.00%	23,000
2022	2.15%	125,000	2.00%	23,000
2023	2.35%	130,000	2.00%	24,000
2024	2.35%	135,000	2.00%	24,000
2025	2.35%	135,000	2.00%	24,000
2026	2.50%	140,000	2.00%	25,000
2027	2.60%	145,000	2.00%	25,000
2028	3.00%	145,000	2.00%	26,000
2029	3.00%	150,000	2.00%	27,000
2030	3.00%	155,000	2.00%	27,000
2031	3.15%	160,000	2.00%	28,000
2032	3.15%	165,000	2.00%	28,000
TOTAL		<u><u>\$ 2,400,000</u></u>		<u><u>\$ 430,000</u></u>

See accompanying independent auditor's report.

City of Sibley, Iowa
Schedule of Receipts by Source and Disbursements
By Function - All Governmental Funds
For the Last Ten Years

	2014	2013	2012	2011
Receipts:				
Property tax	\$ 1,045,247	\$ 1,120,277	\$ 1,086,682	\$ 1,048,671
Tax increment financing collections	296,332	37,948	666	43,715
Other city tax	351,469	313,059	284,165	194,746
Licenses and permits	26,167	28,010	26,537	25,163
Use of money and property	29,418	43,951	25,976	24,617
Intergovernmental	324,445	845,569	308,153	320,278
Charges for service	317,480	247,062	241,259	204,251
Special assessments	8,497	7,751	-	-
Grant proceeds	128,314	-	1,379	52,410
Bond proceeds	5,000	186,161	-	-
Miscellaneous	63,916	104,500	100,003	169,571
Total	<u>\$ 2,596,285</u>	<u>\$ 2,934,288</u>	<u>\$ 2,074,820</u>	<u>\$ 2,083,422</u>
Disbursements:				
Operating:				
Public safety	\$ 453,352	\$ 390,006	\$ 341,329	\$ 331,873
Public works	508,344	538,479	541,506	374,353
Health and social services	2,350	2,350	2,330	2,330
Culture and recreation	381,667	384,990	398,030	353,512
Community and economic development	19,177	16,837	16,820	12,621
General government	196,467	355,556	248,722	302,313
Debt service	447,371	509,563	319,105	318,013
Capital projects	446,339	2,077,326	305,318	358,138
Total	<u>\$ 2,455,067</u>	<u>\$ 4,275,107</u>	<u>\$ 2,173,160</u>	<u>\$ 2,053,153</u>

See accompanying independent auditor's report.

Schedule 4

2010	2009	2008	2007	2006	2005
\$ 1,038,534	\$ 927,265	\$ 877,354	\$ 796,865	\$ 762,082	\$ 748,678
4,185	5,925	180,349	163,874	161,601	198,285
191,464	263,881	-	-	-	3,327
28,425	23,240	24,463	25,064	25,118	20,720
19,885	47,788	42,812	49,722	31,222	16,570
275,706	256,327	262,780	254,436	377,113	252,974
133,121	157,932	157,697	180,268	160,167	186,258
-	2,030	20,545	28,311	13,197	28,046
214,805	106,491	-	-	-	506,505
-	1,101,230	-	430,000	660,476	-
28,652	225,009	14,089	12,562	28,533	9,428
\$ 1,934,777	\$ 3,117,118	\$ 1,580,089	\$ 1,941,102	\$ 2,219,509	\$ 1,970,791

\$ 324,811	\$ 317,098	\$ 298,363	\$ 300,415	\$ 266,814	\$ 271,709
427,096	481,413	356,800	308,104	735,142	470,917
2,330	1,830	1,830	1,830	1,830	1,830
359,940	408,420	348,178	311,093	340,855	291,365
14,224	11,766	18,591	153,328	63,187	327,432
172,246	187,931	266,106	224,711	225,712	275,337
347,190	425,745	416,302	374,491	363,834	482,075
613,057	836,320	124,086	211,777	450,720	572,264
\$ 2,260,894	\$ 2,670,523	\$ 1,830,256	\$ 1,885,749	\$ 2,448,094	\$ 2,692,929

City of Sibley, Iowa

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Paul T. East, CPA
Paul W. Vander Woude, CPA
Rose M. Grant, CPA, MST

707 WEST 11th Street
Sioux Falls, SD 57104
(605)334-9111
(605)334-2195 FAX

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council
Sibley, Iowa:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sibley, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 24, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sibley's internal control over financial reporting to determine our audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of City of Sibley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Sibley's internal control.

A *deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Sibley's financial statements will not be prevented or detected and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sibley's financial statements

are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit is based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Sibley's Responses to Findings

City of Sibley's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Sibley's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the City of Sibley during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

East, Vander Woude, Grant & Co., P.C.

East, Vander Woude, Grant & Co., P.C.
Certified Public Accountants
Sioux Falls, SD
October 24, 2014

**City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2014**

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2014**

Part II: Other Findings Related to Statutory Reporting:

- II-A-14 Certified Budget ó Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted in any of the functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."
- II-B-14 Questionable Disbursements ó No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-14 Travel Expense ó No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-14 Business Transactions ó Business transactions between City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Mike Groote, Council Member, employee of Cooperative Energy	Tires, repairs and maintenance expenses	\$39,328.92
Larry Pedley, Council Member starting January 2014, Owner Max Theater	Economic Development loan prior to becoming a council member, part of loan is forgivable.	\$53,634.78 balance remaining

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the transactions with the Council Member Groote's employer Cooperative Energy (Coop) do not appear to represent conflicts of interest as the decision to use the Coop is made by the Department Heads and is the only business within the City of Sibley that provides those services and products.

Recommendation ó The City should be aware of the potential for a conflict of interest when dealing with members of the City Council, its employees, and relatives of council and employees. The City should consult with its attorney before entering into any transactions with these people.

Response ó The City will consult with our attorney.

Conclusion ó Response accepted.

- II-E-14 Bond Coverage ó Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-14 Council Minutes ó No transactions were found that we believe should have been approved in the Council minutes but were not as required by Chapter 372.13(6) of the Iowa Code.
- II-G-14 Deposits and Investments ó No instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-14 Revenue Bonds and Notes ó No instances of non-compliance with the revenue bond and note resolutions were noted.

City of Sibley, Iowa
Schedule of Findings
Year ended June 30, 2014

- II-I-14 Financial Condition ó The following funds had deficit balances at June 30, 2014: General Fund of \$602,223 and Enterprise Funds ó Golf Course Fund of \$407,855.
Recommendation ó The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.
Response ó The deficits are due to various reasons and the City is taking measures to eliminate the deficits in the funds.
Conclusion ó Response accepted.
- II-J-14 Economic Development ó The City paid \$42,614 to the Osceola County Economic Development Committee which may not be an appropriate disbursement of public funds. In accordance with Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.
Recommendation ó The Council should continue to evaluate and document the public purpose served by the disbursements before authorizing further payments and should require the Development Committee to provide documentation of how the funds were used to accomplish economic development activities.
Response ó We will continue to evaluate and document the public purpose for the economic development annually.
Conclusion ó Response accepted.
- II-K-14 Urban Renewal Annual Report ó The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.